

Family Independence Agency

Funding History *

	FY90			FY01	FY02	FY03
GF/GP	\$1,866,434.2			\$1,216,438.3	\$1,175,780.8	\$1,208,450.7
All Funds	\$3,475,242.7			\$3,555,737.5	\$3,831,729.9	\$3,956,405.8
		% Change -GF/GP			-3.3%	2.8%
		% Change - All Funds			7.8%	3.3%

KEY ISSUES

	GF/GP	ALL FUNDS
Food Assistance Caseload and Reinvestment Increases	\$5,700.0	\$94,245.6
Family Independence Program Caseload Increase	\$0.0	\$60,233.2
Child Care Fund Utilization Increase	\$26,300.0	\$28,600.0
Adoption Subsidy Caseload Increase	\$9,782.1	\$26,581.5
Low Income Home Energy Assistance Grant Increase	\$0.0	\$18,947.4
State Emergency Relief Spending Increase	\$0.0	\$7,724.6
State Disability Assistance Caseload Increase	\$2,522.3	\$2,522.3
State Funds Needed to Match Federal Day Care Revenues	\$22,975.4	\$0.0
Adjust Foster Care to Expected Spending Level	(\$19,273.0)	(\$62,889.8)
Juvenile Justice Facility Savings	(\$5,424.0)	(\$11,069.0)
End TANF Spending on Homestead Property Tax Credit	\$0.0	(\$27,000.0)
Reductions Needed to Avoid Overspending TANF Grant	\$0.0	(\$20,000.0)
Annualize Partial Year Savings in Executive Order 2001-9	(\$4,976.9)	(\$11,856.0)
Adjust Child Support Program to Expected Spending Level	(\$2,683.3)	(\$7,892.0)
Adjust Fringe Benefit Account to Expected Spending Level	\$0.0	\$20,750.0
Other Fund Source Adjustments	(\$1,915.2)	\$0.0
Adjustment to Reflect End of 1997 Early Retirement Payouts	(\$1,002.0)	(\$2,218.8)
Economic Adjustments	\$2,470.9	\$7,694.3
Staff Reductions Needed to Pay for Employee Economics (Non-Institutional Staff -- 43.5 FTE's)	(\$2,865.6)	(\$2,865.6)
Other adjustments	<u>\$1,059.2</u>	<u>\$3,168.2</u>
Subtotal	\$32,669.9	\$124,675.9
FY 2003 Executive Recommendation	\$1,208,450.7	\$3,956,405.8

* FY02 funding amounts assume passage of supplemental appropriations of \$26.1 gross, \$20.0 GF/GP, recommended on November 6, 2001

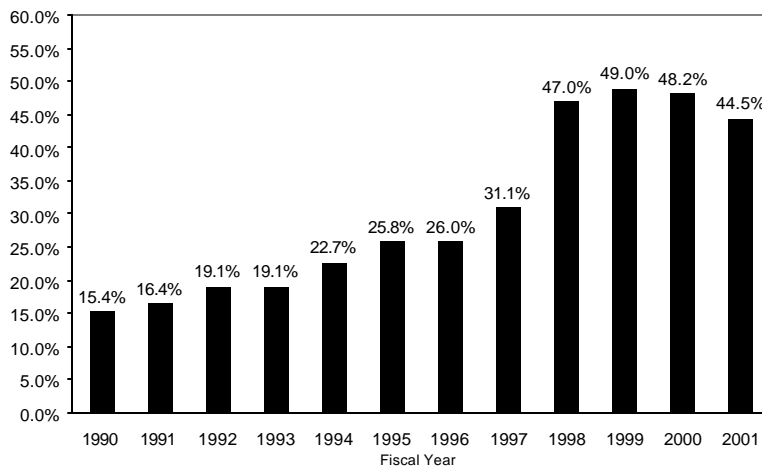
Family Independence Agency

The Family Independence Agency (FIA) assists individuals and families to meet financial, medical, and social needs; helps people move toward self-sufficiency; and works to prevent abuse, neglect, and exploitation of both children and adults. The fiscal year 2003 recommendation of \$3.96 billion, of which \$1.21 billion is general fund, will allow FIA to continue to focus resources on numerous service and financial programs to achieve this mission.

Achievements of Engler Administration

Welfare Reform. Since taking office in 1991, Governor Engler has focused on creating policies that strengthen families. These policies encourage independence, require work, involve communities, and reward responsible behavior.

FAMILY INDEPENDENCE PROGRAM
Percent of Cases Closed Due to Earned Income



In 1992, Michigan received a waiver from the federal government to reform its cash assistance program for families. The waiver strengthened incentives to encourage employment and expanded transitional child care and medical coverage for families leaving the welfare rolls. New policies which began in 1995 reduced or, if necessary, terminated grants for clients who did not participate in employment or training activities. Many policy changes have occurred since that time which complement the reforms made earlier in the

Administration. An increase in the number of working families has caused dramatic growth for child care and development programs. Since 1992, an increasing number of low-income families have used these programs to support their efforts to obtain and retain employment.

*Earned
income
closures
remain at
record
levels*

As a result of these reform policies, there have been reductions in welfare caseloads to levels not seen in 30 years and dramatic changes in spending priorities. From a peak of 229,300 cases in fiscal year 1993, the Family Independence Program now has 75,800 participating families – a drop of 67 percent. On the spending side, between 1995 and 2000 alone, spending on cash grants for poverty relief declined by \$775 million. Over that same period, however, spending on child day care, employment programs, health care, and other social services increased by \$2.9 billion – nearly four times the size of the decrease in cash grant poverty relief spending. These facts clearly display Governor Engler's success at shifting from programs that paid families to stay at home to programs that help families move from welfare to work.

Supporting and Protecting Children. Complementing welfare reform, the Engler Administration has initiated other policies to support and protect children while promoting and strengthening families.

Child support efforts have centered on improving services to families by increasing collections, increasing the establishment of paternity, and reducing out of wedlock births. A key success is exemplified in child support collections, which more than doubled from 1990 to 2001. Integral to all child support efforts has been the statewide implementation of the Child Support Enforcement System (CSES). With the help of all Michigan counties, the state has now successfully implemented a statewide integrated child support network that will improve child support collections and help more families remain financially independent.

"Like tax cuts, changing the state's welfare system is likely to be among Engler's most enduring accomplishments as Governor."

Detroit Free Press, January 16, 2002

Child protection efforts have centered on providing permanent and safe homes for children. Development, passage, and implementation of legislation supported by former Lieutenant Governor Binsfeld during the Engler Administration championed the concept of permanency for children in foster care. The legislation has resulted in children moving to permanent homes more quickly. Adoptions alone have increased by 140 percent since 1990.

Response to Revenue Decline

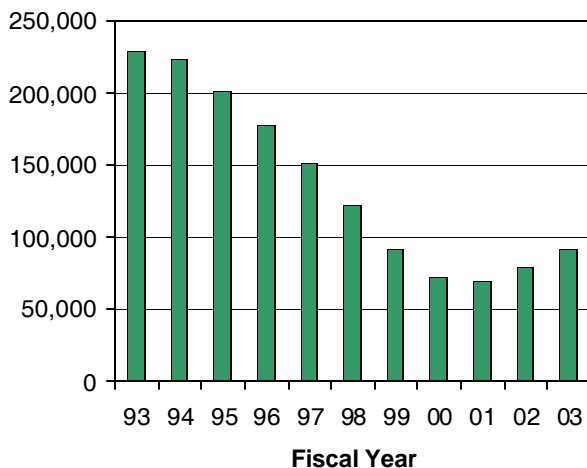
In response to declining state revenues, the Governor issued Executive Order 2001-9 in November, 2001. The Executive Order reduced fiscal year 2002 general fund appropriations for the Family Independence Agency by \$24.2 million. Reductions include staff savings resulting from the continuation of the state hiring freeze; reductions in training, rent, equipment purchases, and travel; and increased operating efficiencies. The Executive Order also included savings resulting from a decrease in the number of state operated juvenile justice beds at Genesee Valley Regional Center and W.J. Maxey Training School. These changes reflect the reduced demand for state treatment beds because juvenile crime is down and more delinquents are being served in community-based settings. Additional savings were achieved through reductions in indigent burial rates, reductions for non-energy home repairs, and reductions for certain contracts. Prior year work project funding for a finger-imaging system was eliminated, thus putting development of that system on hold.

As the economy has faltered, more families need temporary assistance from the state. The Governor recommends a \$20 million supplemental appropriation for the current year to fund expected caseload increases in the Family Independence Program.

Summary of Fiscal Year 2003 Executive Budget

The fiscal year 2003 recommendation contains sufficient funding for FIA to achieve its mission and, most importantly, continue Governor Engler's focus of strengthening Michigan families. The major funding changes outlined below are primarily aimed at financing expected caseload levels and maintaining existing programs with available state and federal revenues.

Family Independence Program Caseload



The Family Independence Program is expected to increase in fiscal year 2003. The budget recommends funding for 92,100 cases, an increase from the current caseload of 75,800 (December 2001). An additional \$60.2 million in federal funding is recommended to finance this increase.

Child day care cases are expected to remain stable in fiscal year 2003, with 69,700 families receiving day care assistance. However, \$23 million in new state funds are recommended for the day care program to match available federal day care funding.

Welfare caseloads are beginning to increase

Other recommended caseload-based changes include:

- **State Disability Assistance.** The State Disability Assistance caseload is expected to increase by 900 cases to 7,900 cases. This caseload increase will result in an additional cost for the state of \$2.5 million, all general fund.
- **Foster Care and Child Care Fund Spending Shift.** The foster care program serves children who have been made wards of the state by county courts and also covers court wards eligible for federal foster care claims. The Child Care Fund serves children who have been classified as county wards by the courts. In fiscal year 2000, Wayne County initiated an effort to classify more children as county wards and to deliver services to these children through a community-based, managed care approach. As a result of this change, and similar smaller efforts in other counties, the cost of care continues to shift from the foster care appropriation to the Child Care Fund appropriation. This change, similar to a change made in the fiscal year 2002 budget, results in a recommended decline of \$62.9 million in the foster care account and a corresponding \$28.6 million increase in the Child Care Fund appropriation.
- **Juvenile Justice Facilities.** The foster care and Child Care Fund spending shift also impacts state operated juvenile justice facilities. Because there are fewer wards of the state, the need for state operated detention and treatment beds has declined. Because of this reduced demand, a reduction of \$11.1 million (\$5.4 million general fund) is recommended.

- ***Adoption Subsidy Program.*** The department's efforts to find permanent homes for children in foster care continues to be successful. The adoption subsidy caseload is projected to increase 3,300 cases in fiscal year 2003, a one-year increase of nearly 16 percent. Additional funding of \$26.6 million (\$9.8 million general fund) is recommended to finance this caseload increase.
- ***State Emergency Relief.*** A \$7.7 million increase for the State Emergency Relief program will provide additional funding for energy-related home repairs, rent assistance, and other forms of emergency assistance.
- ***Food Assistance Program.*** The Food Assistance caseload is expected to increase by 47,300 cases to 374,700 households. This increase, which is funded entirely with federal funds, will result in an additional cost of \$88.5 million. Also recommended is \$5.7 million, all general fund, to pay federal sanctions and to invest in the program to minimize future penalties.
- ***Low Income Home Energy Assistance.*** Michigan is expecting to receive a sizeable increase in its federal Low Income Home Energy Assistance award. The additional \$18.9 million that is recommended in fiscal year 2003 represents nearly a 30 percent increase from the current year. These funds will support the home heating credit, energy-related crisis intervention payments, and weatherization activities that make homes more energy efficient.

Reductions of \$20 million are recommended in programs funded with federal Temporary Assistance for Needy Families (TANF) revenues to avoid overspending this crucial federal funding source and to ensure sufficient funding for core FIA programs. Areas impacted by these reductions include innovation grants, the fatherhood initiative, the Family Independence Program (FIP) clothing allowance, supplemental Community Services Block Grant funding, and before- and after-school programs. However, contingency appropriations are recommended to reinstate funding in these areas if Michigan receives a refund from the federal government for penalties related to implementation of the Child Support Enforcement System.

Program Outcomes	Fiscal Year			
	2000	2001	2002	2003
<p>Permanency will be achieved for children in the department's care</p> <ul style="list-style-type: none"> The number of children adopted will increase by 7% each year The number of children in foster care longer than 24 months will be 20% or less of the total foster care population 80% of the children in foster care will be in a permanent placement within 12 months of their initial placement Increase the number of licensed foster homes to meet the needs of children in out-of-home placements 	2,775	2,900	3,100	3,300
	21%	20%	20%	20%
	56%	80%	80%	80%
	7,762	7,800	7,900	8,000
<p>Safety and protection for children, adults, and communities</p> <ul style="list-style-type: none"> Decrease the percentage of re-referrals for abuse and neglect cases to no more than 25% of the total abuse and neglect caseload At least 80% of juvenile justice youth under FIA supervision will remain free of a felony conviction for two years following release from a residential placement 	34%	25%	25%	25%
	77%	80%	80%	80%
<p>Achieving self-sufficiency for Family Independence Program recipients</p> <ul style="list-style-type: none"> Meet or exceed the federal Personal Responsibility Act employment targets: <ol style="list-style-type: none"> All Families Two-Parent Families <p><i>Note: The Federal law allows these statutory targets to be adjusted downward to reflect caseload declines. The targets reflected on this table for FY 2001, FY 2002 and FY 2003 have not been adjusted</i></p> Increase the percentage of Project Zero sites achieving 100% of targeted cases with earned income 	36.4%	45%	50%	50%
	61.7%	90%	90%	90%
	73%	81%	93%	100%
<p>Performance management and program integrity</p> <ul style="list-style-type: none"> Reduce the food stamp error rate 	13.09%	11.60%	10.60%	9.90%